



March 30, 2007

ENGROSSED HOUSE BILL No. 1067

DIGEST OF HB 1067 (Updated March 28, 2007 2:08 pm - DI 102)

Citations Affected: IC 2-3.5; IC 5-10.2; noncode.

Synopsis: Pension issues. Allows a member of the teachers' retirement fund (TRF) who is receiving a benefit from TRF and who is a party in an action for dissolution of marriage in which: (1) the member's designated beneficiary is also a party; and (2) a final order is issued after the member's first benefit payment is made; to elect under certain conditions to change the member's designated beneficiary or form of benefit. Allows a retired legislator who receives or is entitled to receive a salary from the state to also receive a benefit from the legislators' defined benefit plan. Assigns to the pension management oversight commission the study of TRF's structure.

Effective: July 1, 2007.

Crooks

(SENATE SPONSORS — MEEKS, HUME)

January 8, 2007, read first time and referred to Committee on Rules and Legislative Procedures.

February 15, 2007, reassigned to Committee on Ways and Means.

February 20, 2007, amended, reported — Do Pass.

February 23, 2007, read second time, amended, ordered engrossed.

February 26, 2007, engrossed.

February 27, 2007, read third time, passed. Yeas 96, nays 0.

SENATE ACTION

March 5, 2007, read first time and referred to Committee on Pensions and Labor.

March 29, 2007, amended, reported favorably — Do Pass.

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First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

ENGROSSED HOUSE BILL No. 1067

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 2-3.5-4-2 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 2. A participant who is
3 at least sixty-five (65) years of age is entitled for the remainder of the
4 participant's life to a monthly retirement benefit computed under
5 section 3 of this chapter, beginning on the date specified by the
6 participant in a written application, if all of the following conditions are
7 met on the date on which the benefit begins:
- 8 (1) The participant's service as a member of the general assembly
9 is terminated.
 - 10 (2) The participant:
 - 11 (A) has at least ten (10) years of service as a member of the
 - 12 general assembly; or
 - 13 (B) meets the requirements for disability benefits under
 - 14 section 5 of this chapter.
 - 15 ~~(3) The participant is not receiving and is not entitled to receive~~
16 ~~a salary from the state.~~
 - 17 ~~(4)~~ (3) The participant is not receiving and has not previously

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received a reduced monthly retirement benefit under section 4 of this chapter.

SECTION 2. IC 2-3.5-4-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 4. (a) A participant who is at least fifty-five (55) years of age is entitled, for the remainder of the participant's life, to a reduced monthly retirement benefit computed under subsection (b), beginning on the date specified by the participant in a written application, if ~~at~~ **both** of the following conditions are met on the date on which the benefit begins:

(1) The participant's service as a member of the general assembly is terminated.

(2) The participant has at least ten (10) years of service as a member of the general assembly.

~~(3) The participant is not receiving and is not entitled to receive a salary from the state.~~

(b) The reduced monthly benefit payable for life to a participant eligible under this section is the benefit calculated under section 3 of this chapter, multiplied by a percentage determined as follows:

STEP ONE: From seven hundred eighty (780) months, which equals sixty-five (65) years, subtract the age of the participant at the participant's retirement date expressed in whole months (retirement age in months) and obtain a remainder (X).

STEP TWO:

(A) If the remainder (X) is less than or equal to sixty (60), multiply the remainder (X) times one-tenth percent (0.1%) and obtain a product (Y).

(B) If the remainder (X) is greater than sixty (60), multiply five-twelfths percent ($5/12\%$) times the difference obtained by subtracting sixty (60) from the remainder (X) and obtain a product. Add to this six percent (6%) and obtain a sum (Y).

STEP THREE: From one hundred percent (100%) subtract the appropriate (Y). This equals the percentage used to determine the reduced monthly benefit.

SECTION 3. IC 2-3.5-4-4.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 4.1. (a) This section applies to a participant who:

(1) is at least fifty-five (55) years of age and whose years of service as a member of the general assembly plus years of age are equal to at least eighty-five (85); or

(2) is at least sixty (60) years of age and has at least fifteen (15) years of service as a member of the general assembly.

(b) A participant who is described in subsection (a) is entitled, for

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the remainder of the participant's life, to a monthly retirement benefit calculated under section 3 of this chapter, if ~~at~~ **both** of the following conditions are met on the date on which the benefit begins:

(1) The participant's service as a member of the general assembly is terminated.

(2) The participant has at least ten (10) years of service as a member of the general assembly.

~~(3) The participant is not receiving and is not entitled to receive a salary from the state.~~

(c) A participant who receives a benefit under this section is not entitled to a benefit under section 4 of this chapter.

SECTION 4. IC 5-10.2-4-7, AS AMENDED BY P.L.2-2006, SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 7. (a) Benefits provided under this section are subject to IC 5-10.2-2-1.5.

(b) A member who retires is entitled to receive monthly retirement benefits, which are guaranteed for five (5) years or until the member's death, whichever is later. A member may select in writing any of the following nonconflicting options for the payment of the member's retirement benefits instead of the five (5) year guaranteed retirement benefit payments. The amount of the optional payments shall be determined under rules of the board and shall be the actuarial equivalent of the benefit payable under sections 4, 5, and 6 of this chapter.

(1) Joint and Survivor Option.

(A) The member receives a decreased retirement benefit during the member's lifetime, and there is a benefit payable after the member's death to a designated beneficiary during the lifetime of the beneficiary, which benefit equals, at the option of the member, either the full decreased retirement benefit or two-thirds (2/3) or one-half (1/2) of that benefit.

(B) If the member dies before retirement, the designated beneficiary may receive only the amount credited to the member in the annuity savings account unless the designated beneficiary is entitled to survivor benefits under IC 5-10.2-3.

(C) If the designated beneficiary dies before the member retires, the selection is automatically canceled and the member may make a new beneficiary election and may elect a different form of benefit under this subsection.

(2) Benefit with No Guarantee. The member receives an increased lifetime retirement benefit without the five (5) year guarantee specified in this subsection.

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(3) Integration with Social Security. If the member retires before the age of eligibility for Social Security benefits, in order to provide a level benefit during the member's retirement the member receives an increased retirement benefit until the age of Social Security eligibility and decreased retirement benefits after that age.

(4) Cash Refund Annuity. The member receives a lifetime annuity purchasable by the amount credited to the member in the annuity savings account, and the member's designated beneficiary receives a refund payment equal to:

(A) the total amount used in computing the annuity at the retirement date; minus

(B) the total annuity payments paid and due to the member before the member's death.

(c) This subsection does not apply to a member of the Indiana state teachers' retirement fund after June 30, 2007. If:

(1) the designated beneficiary dies while the member is receiving benefits; or

(2) the member is receiving benefits, the member marries, either for the first time or following the death of the member's spouse, after the member's first benefit payment is made, and the member's designated beneficiary is not the member's current spouse or the member has not designated a beneficiary;

the member may elect to change the member's designated beneficiary or form of benefit under subsection (b) and to receive an actuarially adjusted and recalculated benefit for the remainder of the member's life or for the remainder of the member's life and the life of the newly designated beneficiary. The member may not elect to change to a five (5) year guaranteed form of benefit. If the member's new election is the joint and survivor option, the member shall indicate whether the designated beneficiary's benefit shall equal, at the option of the member, either the member's full recalculated retirement benefit or two-thirds ($\frac{2}{3}$) or one-half ($\frac{1}{2}$) of this benefit. The cost of recalculating the benefit shall be borne by the member and shall be included in the actuarial adjustment.

(d) Except as provided in subsection (c) or section 7.2 of this chapter, a member who files for regular or disability retirement may not change:

(1) the member's retirement option under subsection (b);

(2) the selection of a lump sum payment under section 2 of this chapter; or

(3) the beneficiary designated on the member's application for

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benefits if the member selects the joint and survivor option under subsection (b)(1); after the first day of the month in which benefit payments are scheduled to begin. For purposes of this subsection, it is immaterial whether a benefit check has been sent, received, or negotiated.

(e) A member may direct that the member's retirement benefits be paid to a revocable trust that permits the member unrestricted access to the amounts held in the revocable trust. The member's direction is not an assignment or transfer of benefits under IC 5-10.3-8-10 or IC 5-10.4-5-14.

SECTION 5. IC 5-10.2-4-7.2 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: **Sec. 7.2. (a) This section applies to a member of the Indiana state teachers' retirement fund after June 30, 2007.**

(b) If a member is receiving a benefit from the fund and:

(1) the member's designated beneficiary dies;

(2) the member and the member's designated beneficiary are parties in an action for dissolution of marriage under IC 31-15-2 in which a final order is issued after the member's first benefit payment is made; or

(3) the member marries after the member's first benefit payment is made, and:

(A) the member's designated beneficiary is not the member's current spouse; or

(B) the member has not designated a beneficiary;

the member may make the election described in subsection (c).

(c) A member described in subsection (b) may elect to:

(1) change the member's designated beneficiary or form of benefit under section 7(b) of this chapter; and

(2) receive an actuarially adjusted and recalculated benefit for the remainder of:

(A) the member's life; or

(B) the member's life and the life of the newly designated beneficiary.

(d) A member making the election under subsection (c) may not elect to change to a five (5) year guaranteed form of benefit under section 7(b) of this chapter.

(e) If a member elects a benefit under subsection (c)(2)(B), the member must indicate whether the newly designated beneficiary's benefit will equal:

(1) the member's full recalculated benefit;

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1 (2) two-thirds (2/3) of the member's recalculated benefit; or

2 (3) one-half (1/2) of the member's recalculated benefit.

3 (f) The member bears the cost of recalculating a benefit under
4 subsection (c)(2), and the cost shall be included in the actuarial
5 adjustment.

6 (g) Benefits may be recalculated under this section only to the
7 extent permitted by the Internal Revenue Code and applicable
8 regulations.

9 (h) Before implementing this section, the board of the Indiana
10 state teachers' retirement fund may obtain any approvals that the
11 board considers necessary or appropriate from the Internal
12 Revenue Service.

13 SECTION 6. [EFFECTIVE JULY 1, 2007] (a) As used in this
14 SECTION, "commission" refers to the pension management
15 oversight commission established by IC 2-5-12-1.

16 (b) The commission shall study and make recommendations,
17 including any recommended legislation, concerning the structure
18 of the Indiana state teachers' retirement fund established by
19 IC 5-10.4-2-1.

20 (c) The commission shall operate under the policies governing
21 study committees adopted by the legislative council.

22 (d) This SECTION expires December 31, 2007.

23 SECTION 7. [EFFECTIVE JULY 1, 2007] IC 2-3.5-4-2,
24 IC 2-3.5-4-4, and IC 2-3.5-4-4.1, all as amended by this act, apply
25 to participants in the legislators' defined benefit plan regardless of
26 whether they:

27 (1) retired before July 1, 2007; or

28 (2) retire after June 30, 2007.

29 However, IC 2-3.5-4-2, IC 2-3.5-4-4, and IC 2-3.5-4-4.1, all as
30 amended by this act, apply only to benefits first payable after June
31 30, 2007.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1067, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 4, line 20, delete "that are" and insert "**may be**".

Page 4, line 20, delete "must be" and insert "**only to the extent permitted by the Internal Revenue Code and applicable regulations.**"

(h) Before implementing this section, the board of the Indiana state teachers' retirement fund may obtain any approvals that the board considers necessary or appropriate from the Internal Revenue Service."

Page 4, delete lines 21 through 22.

and when so amended that said bill do pass.

(Reference is to HB 1067 as introduced.)

CRAWFORD, Chair

Committee Vote: yeas 23, nays 0.

 HOUSE MOTION

Mr. Speaker: I move that House Bill 1067 be amended to read as follows:

Page 4, after line 26, begin a new paragraph and insert:

"SECTION 3. [EFFECTIVE JULY 1, 2007] **(a) As used in this SECTION, "committee" refers to the interim study committee on the structure of the Indiana state teachers' retirement fund established by this SECTION.**

(b) There is established the interim study committee on the structure of the Indiana state teachers' retirement fund. The committee shall study the structure of the Indiana state teachers' retirement fund established by IC 5-10.4-2-1.

(c) The committee shall operate under the policies governing study committees adopted by the legislative council.

(d) The affirmative votes of a majority of the voting members appointed to the committee are required for the committee to take action on any measure, including final reports.

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(e) This SECTION expires December 31, 2007."

(Reference is to HB 1067 as printed February 20, 2007.)

THOMPSON

COMMITTEE REPORT

Madam President: The Senate Committee on Pensions and Labor, to which was referred House Bill No. 1067, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 2-3.5-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 2. A participant who is at least sixty-five (65) years of age is entitled for the remainder of the participant's life to a monthly retirement benefit computed under section 3 of this chapter, beginning on the date specified by the participant in a written application, if all of the following conditions are met on the date on which the benefit begins:

- (1) The participant's service as a member of the general assembly is terminated.
- (2) The participant:
 - (A) has at least ten (10) years of service as a member of the general assembly; or
 - (B) meets the requirements for disability benefits under section 5 of this chapter.

~~(3) The participant is not receiving and is not entitled to receive a salary from the state.~~

~~(4)~~ (3) The participant is not receiving and has not previously received a reduced monthly retirement benefit under section 4 of this chapter.

SECTION 2. IC 2-3.5-4-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 4. (a) A participant who is at least fifty-five (55) years of age is entitled, for the remainder of the participant's life, to a reduced monthly retirement benefit computed under subsection (b), beginning on the date specified by the participant in a written application, if ~~at~~ **both** of the following conditions are met on the date on which the benefit begins:

- (1) The participant's service as a member of the general assembly is terminated.

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(2) The participant has at least ten (10) years of service as a member of the general assembly.

~~(3) The participant is not receiving and is not entitled to receive a salary from the state.~~

(b) The reduced monthly benefit payable for life to a participant eligible under this section is the benefit calculated under section 3 of this chapter, multiplied by a percentage determined as follows:

STEP ONE: From seven hundred eighty (780) months, which equals sixty-five (65) years, subtract the age of the participant at the participant's retirement date expressed in whole months (retirement age in months) and obtain a remainder (X).

STEP TWO:

(A) If the remainder (X) is less than or equal to sixty (60), multiply the remainder (X) times one-tenth percent (0.1%) and obtain a product (Y).

(B) If the remainder (X) is greater than sixty (60), multiply five-twelfths percent (5/12%) times the difference obtained by subtracting sixty (60) from the remainder (X) and obtain a product. Add to this six percent (6%) and obtain a sum (Y).

STEP THREE: From one hundred percent (100%) subtract the appropriate (Y). This equals the percentage used to determine the reduced monthly benefit.

SECTION 3. IC 2-3.5-4-4.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 4.1. (a) This section applies to a participant who:

(1) is at least fifty-five (55) years of age and whose years of service as a member of the general assembly plus years of age are equal to at least eighty-five (85); or

(2) is at least sixty (60) years of age and has at least fifteen (15) years of service as a member of the general assembly.

(b) A participant who is described in subsection (a) is entitled, for the remainder of the participant's life, to a monthly retirement benefit calculated under section 3 of this chapter, if ~~at~~ **both** of the following conditions are met on the date on which the benefit begins:

(1) The participant's service as a member of the general assembly is terminated.

(2) The participant has at least ten (10) years of service as a member of the general assembly.

~~(3) The participant is not receiving and is not entitled to receive a salary from the state.~~

(c) A participant who receives a benefit under this section is not entitled to a benefit under section 4 of this chapter."

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Page 4, line 28, after "SECTION," delete ""committee"" and insert **""commission""**.

Page 4, line 28, delete "interim study committee on" and insert **"pension management oversight commission"**.

Page 4, delete line 29.

Page 4, line 30, delete "this SECTION." and insert **"IC 2-5-12-1."**

Page 4, line 31, delete "There is established the interim study committee on the".

Page 4, line 32, delete "structure of the Indiana state teachers' retirement fund."

Page 4, line 33, delete "committee" and insert **"commission"**.

Page 4, line 33, after "study" insert **"and make recommendations, including any recommended legislation, concerning"**.

Page 4, line 35, delete "committee" and insert **"commission"**.

Page 4, delete lines 37 through 39.

Page 4, line 40, delete "(e)" and insert **"(d)"**.

Page 4, line 40, after "2007" insert **"."**

Page 4, after line 40, begin a new paragraph and insert:

"SECTION 7. [EFFECTIVE JULY 1, 2007] IC 2-3.5-4-2, IC 2-3.5-4-4, and IC 2-3.5-4-4.1, all as amended by this act, apply to participants in the legislators' defined benefit plan regardless of whether they:

(1) retired before July 1, 2007; or

(2) retire after June 30, 2007.

However, IC 2-3.5-4-2, IC 2-3.5-4-4, and IC 2-3.5-4-4.1, all as amended by this act, apply only to benefits first payable after June 30, 2007."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1067 as reprinted February 24, 2007.)

KRUSE, Chairperson

Committee Vote: Yeas 7, Nays 0.

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